

***Head of the Market Information  
and Transparency Department***

Ljubljana, 26 July 2023

***To whom it may concern***

**Subject: Open Letter on LNG market data quality**

Dear Sir or Madam,

The purpose of this letter is to liaise with LNG market participants to improve the quality of the LNG market data reported under Council Regulation (EU) 2022/2576 ‘Enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders’.

The collected LNG market data constitutes a unique LNG market dataset, based on which ACER is able to assess and produce a **representative, comparable and market-reflective** LNG price. In order to achieve this, ACER requires data of exceptionally high quality.

The current level of data quality of the collected records of LNG market data is considered adequate/sufficient, allowing ACER to perform daily assessments of the LNG price. ACER continuously monitors the quality of the collected records to detect instances of unusual transactions, bid and offer reports. In some cases, the quality of the reported data may prevent ACER from efficiently and accurately assessing the price, which may lead to the exclusion of valuable data points and, in extreme cases, to inaccurate LNG price assessments.

ACER is committed to helping ensure a high quality of data and will devote special supervisory efforts to this endeavour.

**Who should read this letter?**

We urge LNG market participants to give careful consideration to the contents of this letter. As defined by Article 2 of Council Regulation (EU) 2022/2576, ‘LNG market participant’ means any natural or legal person, irrespective of that person’s place of incorporation or domicile, who engages in LNG trading. ‘LNG trading’ means bids, offers or transactions for the purchase or sale of LNG:

- (a) that specify delivery in the Union, or
- (b) that result in delivery in the Union, or
- (c) in which one counterparty re-gasifies the LNG at a terminal in the Union.

Additionally, ACER believes that the information in this letter will also benefit the interested public.

### **Why should LNG market participants read this letter?**

LNG market participants are subject to the obligations and prohibitions applicable to market participants under REMIT. Therefore, according to Article 11(2) of Commission Implementing Regulation (EU) No 1348/2014, persons required to report data referred to in Articles 6, 8 and 9 of the Implementing Regulation shall have the responsibility for the completeness, accuracy and timely submission of data to ACER.

In the initial phase of LNG market data reporting, ACER has detected some data quality issues and therefore advises LNG market participants to comply with the reporting requirements defined in ACER's *Guidance on reporting LNG market data*<sup>1</sup> (hereinafter referred to as 'Guidance').

The findings presented in this letter are based on the collected LNG market data and ACER's experience with performing daily LNG price assessments so far.

### **What does ACER expect from reporting parties?**

ACER expects LNG market participants to be diligent, accurate and timely in reporting the LNG market data. In case of any data quality issues, ACER expects the LNG market participants to be proactive in correcting the issues and to inform ACER of the data quality issues promptly after detecting them. LNG market participants should be responsive and engage with ACER in order to clarify and resolve any detected inconsistencies.

In case of any questions on how to report LNG market data, the reporting parties should contact ACER via [transaction.reporting@acer.europa.eu](mailto:transaction.reporting@acer.europa.eu). ACER will address the queries as soon as

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<sup>1</sup> The document is available on the ACER website at <https://www.acer.europa.eu/gas/lng-price-assessment>.

possible and provide assistance through the Guidance and/or respond to individual LNG market participants.

**Actions to be taken by ACER next**

ACER strives to resolve data quality issues by cooperating with the reporting parties. Specifically, non-reporting, lack of engagement, unreasonable delays, continuous submissions of poor-quality data, or repetitive (re)submission of data that is not in line with the provided guidance can be considered non-compliance with the reporting obligations. ACER may inform the relevant National Regulatory Authorities (NRAs) and the European Commission of any such non-compliance.

ACER will continue to conduct continuous and periodic data quality assessments in order to monitor data quality and remains committed to providing opportunities and establishing practices for the exchange of information, such as webinars, roundtables and any other activities that may assist interested parties in actively engaging with ACER in order to ensure a high quality of LNG market data.

Yours faithfully,

*signed*

Volker Zuleger

Head of the Market Information  
and Transparency Department

## Annex: Common types of LNG market data quality issues

This annex provides an overview of the most frequent and significant data quality issues that ACER has identified in the LNG market data. This overview aims to enhance the understanding of LNG market participants on how to achieve full compliance with the reporting requirements.

Please note that this list is not exhaustive.

### Single-sided reporting

ACER has observed instances of incompleteness in the reporting of LNG transactions, primarily caused by the practice of transactions only being reported by one of the counterparties. This approach hinders the assessor's ability to match and verify the accuracy of the reported data. Although data reconciliation between the counterparties involved in the LNG trading is not mandatory, ACER would like to remind LNG market participants of their obligation, as outlined in Council Regulation (EU) 2022/2576, to adhere to the two-sided reporting requirement detailed in ACER's Guidance.

As a primary requirement, LNG transactions that specify EU delivery at the time of the agreement, even if optional, should be reported by both the buyer and the seller. ACER expects to receive transaction reports from both counterparties. It has come to ACER's attention that in some cases, buyers or sellers inadvertently enter the counterparty's name incorrectly, which becomes apparent only when the counterparty reports the same transaction:

Transaction pair ID	Report type	Reporting party	Buyer id	Seller id	Arrival start date	Arrival end date	Transaction timestamp
172DQ	TRANSACTION	BUYER	Company "A"	<u>Company "B"</u>	10/11/2023 00:00	14/11/2023 00:00	18/05/2023 <u>12:33</u>
172DQ	TRANSACTION	SELLER	Company "A"	<u>Company "C"</u>	10/11/2023 00:00	14/11/2023 00:00	18/05/2023 <u>11:06</u>

There are instances where the buyers or sellers report that the counterparty is not registered (i.e. not registered in TERMINAL as LNG market participant). However, based on the transaction pair, ACER is able to identify and rectify such errors:

Transaction pair ID	Report type	Reporting party	Buyer id	Seller id	Arrival start date	Arrival end date	Transaction timestamp
CNR1	TRANSACTION	BUYER	<u>Company "A"</u>	Company "B"	23/05/2023 00:00	23/05/2023 00:00	31/03/2023 <u>09:29</u>
CNR1	TRANSACTION	SELLER	<u>0.Counterparty not on the list</u>	Company "B"	23/05/2023 00:00	23/05/2023 00:00	31/03/2023 <u>10:15</u>

### **Empty fields**

ACER has noticed instances where certain fields that are expected to be populated, such as Data Field No. 6.1: *Original contract quantity* (EST.), are left empty, particularly in cases where a range of quantities is indicated.

It is essential that reporting LNG market participants do not solely rely on the technical validation rules integrated into the TERMINAL reporting form. Instead, they should make every effort to provide datasets that are as comprehensive as possible, taking into account all the available information regarding the terms of the transaction to be reported.

### **Missing or incorrectly reported original price**

According to the Guidance, Data Field No. 5.1: *Original price* should indicate the price per unit of energy specified in the contract associated with the agreed transaction, or the price per unit of energy relevant to the bid/offer. The transaction, bid, and offer unit prices must be reported both in the currency specified in the contract and in EUR/MWh. If applicable, the reported prices should include the applied conversion and exchange rates.

ACER has identified instances where the reported prices significantly deviated from comparable transactions. In discussions with the reporting LNG market participants, ACER discovered that either the currency or the unit of energy measure (e.g. MMBtu instead of MWh) was reported incorrectly. ACER has already taken some proactive measures to engage with the reporting parties and reduce the occurrence of this error.

### **Inverse rates and tier pricing**

ACER has identified cases where values in related fields were inaccurately reported. For example, errors were found while calculating the Contract value in Data Field No. 7.1 by multiplying the Price and Contract quantity, or in converting values into EUR/MWh by applying exchange and unit conversion rates.

ACER acknowledges that the application of exchange and unit conversion rates can introduce complexity in reporting. Therefore, ACER emphasises the importance of carefully checking the calculated values to ensure that the recorded data reflects the business event as accurately as possible.

Additionally, ACER has observed the use of inverse rates and tier pricing reporting, which makes it difficult to accurately identify individual pairs during price assessments:

Transaction pair ID	Report type	Reporting party	Original price (USD/MMBtu)	Original price in EUR/MWh	Exchange rate original price	MWh quantity unit conversion rate	Original contract quantity est (MMBtu)	Transaction timestamp	Conversion rate original price
?94Y	TRANSACTION	SELLER	<u>14.29</u>	<u>46.020</u>	<u>1.05950</u>	<u>0.29307</u>	<u>1,286,443</u>	16/03/2023 <u>17:31</u>	<u>0.29307</u>
?94Y	TRANSACTION	SELLER	<u>12.89</u>	<u>41.520</u>	<u>1.05950</u>	<u>0.29307</u>	<u>2,181,058</u>	16/03/2023 <u>17:31</u>	<u>0.29307</u>
?94Y	TRANSACTION	SELLER	<u>13.82</u>	<u>44.500</u>	<u>1.05950</u>	<u>0.29307</u>	<u>182,500</u>	16/03/2023 <u>17:31</u>	<u>0.29307</u>
?94Y	TRANSACTION	BUYER	<u>13.32</u>	<u>42.800</u>	<u>1.06196</u>	<u>3.41214</u>	<u>3,650,000</u>	16/03/2023 <u>12:00</u>	<u>3.41214</u>

### **Incorrect interplay of values, tier pricing**

According to the Guidance, LNG market participants are required to accurately represent the value of the indices indicated in Data Field No. 5.2: *Original price formula* settled the day before the contract was traded (if available). Reporting parties are expected to clearly indicate the reference index (or indices) that was settled the day before and used for determining the index value, or the indicator used as the best price indication.

Unfortunately, this requirement is not met in many cases, as index values are provided in various inconsistent ways. For example, the seller may specify the previous day's average price, while the buyer reports the current index value at the time of the report.

### **Mismatch between the transaction timestamps and delivery periods**

The transaction timestamp in Data Field No. 17 should indicate the date and time when the transaction was agreed, rather than when the contract was formally signed (the contract signing may occur days or weeks after the final agreement has been reached). The reporting form should accurately indicate the actual transaction time using the ISO 8601 date and time format. The transaction timestamp must always be expressed in the UTC time format.

For both DES and FOB contracts where EU delivery is specified at the time of the agreement, the date and time of the agreement should be reported. However, despite the requirements provided by the Guidance, ACER has received reports where reporting parties provided other timestamps instead of the real time of the transaction, such as the time of the report's submission into TERMINAL:

Transaction pair ID	Report type	Reporting party	Arrival start date	Arrival end date	Transaction timestamp
23P	TRANSACTION	BUYER	23/07/2023 00:00	24/07/2023 00:00	<u>13/02/2023 12:00</u>
23P	TRANSACTION	SELLER	23/07/2023 00:00	24/07/2023 00:00	<u>15/02/2023 15:17</u>

The Guidance also stipulates that in LNG transactions, the arrival date of the LNG cargo at the designated LNG terminal is specified as an 'arrival window'. This window indicates the earliest date (Arrival start date) and the latest date (Arrival end date) for the scheduled arrival of the LNG cargo at the berth of the LNG terminal. The arrival window should be reported using the delivery dates specified in the contract. This field should be reported for both Spot-type transactions and for particular transactions concluded under Portfolio-type contracts.

Another significant issue when identifying individual transaction pairs is the inconsistency in reporting not only the transaction timestamp but also the start and end dates of the LNG delivery. This inconsistency poses a serious problem in accurately matching and assessing transaction pairs:

Transaction pair ID	Report type	Reporting party	Arrival start date	Arrival end date	Transaction timestamp
47	TRANSACTION	SELLER	<u>26/07/2023 00:00</u>	<u>26/07/2023 00:00</u>	14/06/2023 <u>00:00</u>
47	TRANSACTION	BUYER	<u>29/07/2023 00:00</u>	<u>29/07/2023 00:00</u>	14/06/2023 <u>14:27</u>

### Reporting of swap and portfolio transactions

In Chapter 3.3 of the Guidance it is explicitly stated that cargo swaps, which involve the optimisation of regasification capacities, delivery locations, and delivery windows, are excluded from reporting.

However, it has come to ACER's attention that certain LNG market participants are still reporting swap transactions:

Report type	Reporting party	Buyer ID	Seller ID	Arrival start date	Arrival end date	Transaction timestamp	Delivery point or zone	Vessel name
TRANSACTION	SELLER	<u>Company "A"</u>	<u>Company "B"</u>	10/04/2023 00:00	12/04/2023 00:00	24/02/2023 16:44	Bilbao LNG Terminal - Spain	Vessel "A"
TRANSACTION	SELLER	<u>Company "B"</u>	<u>Company "A"</u>	10/04/2023 00:00	12/04/2023 00:00	24/02/2023 16:44	Bilbao LNG Terminal - Spain	Vessel "A"
TRANSACTION	SELLER	<u>Company "C"</u>	<u>Company "D"</u>	<u>17/04/2023 00:00</u>	<u>18/04/2023 00:00</u>	11/04/2023 19:23	<u>Cartagena LNG Terminal - Spain</u>	<u>Vessel "B"</u>
TRANSACTION	SELLER	<u>Company "D"</u>	<u>Company "C"</u>	<u>21/04/2023 00:00</u>	<u>22/04/2023 00:00</u>	11/04/2023 19:23	<u>Barcelona LNG Terminal - Spain</u>	<u>Vessel "C"</u>

In some instances, it has been observed that one LNG market participant reports a transaction as a Portfolio-type transaction, while the counterparty reports it as a Spot-type transaction. Such discrepancies in the reporting of transaction types make it difficult to accurately align the reported data between the counterparties:

Transaction pair ID	Report type	Reporting party	Arrival start date	Arrival end date	Terms of delivery	Type of contract	Transaction timestamp
1P	TRANSACTION	BUYER	01/10/2023 00:00	02/10/2023 00:00	DES	<u>SPOT</u>	27/04/2023 <u>14:00</u>
1P	TRANSACTION	SELLER	01/10/2023 00:00	02/10/2023 00:00	DES	<u>PORTFOLIO SHORT TERM</u>	27/04/2023 <u>14:49</u>

### **Mismatch in delivery points and vessel names (in case of pairs)**

According to the Guidance, there are specific requirements for reporting LNG terminals and vessel information in Data Fields No. 9 and 14 respectively:

- LNG terminals should be identified using an EIC Z or W code. If a contract specifies multiple EU delivery points, regardless of whether they are fixed or potential, all relevant delivery points should be indicated in Data Field No. 14.
- Data Field No. 9 Vessel ID or name should represent the identification of the LNG vessel that transports and delivers the LNG to the designated LNG terminal. It is preferable to use the IMO code for vessel identification, but if that is not available, the vessel name can be used instead. In case of reporting transactions, both the buyer and the seller should report the same vessel identification code in their reports.

A common mistake that occurs often is when market participants who are each other's counterparties report different terminals, or when one counterparty reports multiple delivery points and the other one reports only a single delivery point:

Transaction pair ID	Report type	Reporting party	Delivery point or zone
10	TRANSACTION	BUYER	<u>Porto Levante LNG terminal - Italy</u>
10	TRANSACTION	SELLER	<u>OLT - Offshore LNG Toscana - Italy</u>
98	TRANSACTION	BUYER	Zeebrugge LNG terminal - Belgium
98	TRANSACTION	SELLER	<u>Barcelona LNG Terminal - Spain, Bilbao LNG Terminal - Spain, Cartagena LNG Terminal - Spain, Dunkerque LNG Terminal - France, Fos Tonkin LNG terminal - France, Gate terminal - Netherlands, Huelva LNG Terminal - Spain, Montoir-de-Bretagne LNG terminal - France, Mugaros LNG Terminal - Spain, Sagunto LNG Terminal - Spain, Sines LNG Terminal - Portugal, Zeebrugge LNG terminal - Belgium</u>



Contrary to the Guidance, ACER has observed many cases where different vessel names or IMO codes are reported, or one party reports the name or IMO code of the ship while the counterparty states that this information is not yet known. Such discrepancies in reporting vessel information make accurate matching and assessment of LNG transactions difficult:

Transaction pair ID	Report type	Reporting party	Arrival start date	Arrival end date	Delivery point or zone	Vessel name
43	TRANSACTION	SELLER	31/05/2023 00:00	31/05/2023 00:00	EemsEnergy LNG Terminal - Netherlands	<u>Vessel "A"</u>
43	TRANSACTION	BUYER	31/05/2023 00:00	02/06/2023 00:00	EemsEnergy LNG Terminal - Netherlands	<u>Vessel "B"</u>
51	TRANSACTION	BUYER	30/08/2023 00:00	31/08/2023 00:00	EemsEnergy LNG Terminal - Netherlands	<u>NA</u>
51	TRANSACTION	SELLER	30/08/2023 00:00	31/08/2023 00:00	<u>Bilbao LNG Terminal - Spain, Cartagena LNG Terminal - Spain, Dunkerque LNG Terminal - France, EemsEnergy LNG Terminal - Netherlands, Gate terminal - Netherlands, Huelva LNG Terminal - Spain, Sagunto LNG Terminal - Spain, Sines LNG Terminal - Portugal, Zeebrugge LNG terminal - Belgium</u>	<u>IMO code of Vessel "C"</u>

**Lifecycle reporting**

According to the Guidance, it is not expected to provide lifecycle reporting for LNG market data that has already been reported in TERMINAL. This means that if counterparties decide to amend the terms (e.g. quantities, delivery window, delivery point) of a previously reported LNG transaction or if a reported transaction is eventually cancelled (e.g. due to a counterparty backing out or a condition precedent not being met), these modifications or cancellations should not be reported as new transactions in TERMINAL. Additionally, cargo diversions that are solely for logistical purposes and do not result in a change in contractual arrangements, except for the final delivery terminal, are considered lifecycle events and are not reportable.

However, cargoes originally procured under Portfolio-type contracts that are subsequently diverted and resold to other buyers are expected to be reported as new Spot-type transactions and should not be considered lifecycle events of the original transaction. Regarding reports that contain errors submitted to TERMINAL, LNG market participants should refer to the TERMINAL User Manual (available within TERMINAL) for information on how to correct erroneous reports. It is important to note that despite the exclusion of lifecycle events, they can still be identified in the reported LNG market data.

**Timeliness of reporting**

According to Article 20(1) of the Regulation, it is mandatory for LNG market participants to submit daily LNG market data to ACER as close to real-time as technologically possible, before the publication of the daily price assessment at 18:00 CET.

ACER has identified that LNG market participants are not meeting this requirement:

Report type	Reporting party	Transaction timestamp	Created at (reported at)
TRANSACTION	SELLER	<u>15/02/2023 15:17</u>	<u>21/02/2023 18:09</u>
TRANSACTION	SELLER	<u>24/02/2023 14:25</u>	<u>27/02/2023 15:55</u>
TRANSACTION	SELLER	<u>14/04/2023 18:20</u>	<u>17/04/2023 13:24</u>
TRANSACTION	SELLER	<u>28/04/2023 17:41</u>	<u>02/05/2023 14:02</u>

**Missing or incorrect contact information**

According to the Guidance, LNG market participants are required to provide contact information, including a designated contact person, email address and phone number. ACER expects the designated contact person to be available for potential clarification questions from ACER on the day of reporting until the daily publication of the reference price for that day. The contact person should be capable of responding to clarification questions related to the reported transactions, bids or offers.

However, it has been observed that sometimes LNG market participants fail to respond to data reconciliation emails sent by ACER, do not answer the phone, or only provide the phone number of the market participant's reception desk. Such non-responsiveness can hinder effective communication and clarification of the reported data.